

Message Text

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ACTION AID-59

INFO OCT-01 ISO-00 EA-11 CIAE-00 INR-11 NSAE-00 RSC-01

EB-11 L-03 EUR-25 IGA-02 AGR-20 COME-00 SWF-02 OMB-01

TRSE-00 CIEP-02 DRC-01 /150 W
----- 017145

P R 171055Z JUL 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC PRIORITY 6902

INFO AMEMBASSY PHNOM PENH

AMEMBASSY BANGKOK

AMEMBASSY VIENTIANE

AMEMBASSY SEOUL

AMCONSUL DANANG

AMCONSUL NHA TRANG

AMCONSUL BIEN HOA

AMCONSUL CAN THO

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E.O. 11652: N/A

TAGS: EAGR, VS

SUBJECT: RICE SITREP FOR JUNE 1974 - CERP 4012

REF: A. SAIGON 9397 B. SAIGON 8510 C. SAIGON 5267

1. SUMMARY. NEW INFORMATION HAS FORCED US TO REVISE OUR METHOD OF CALCULATING APPARENT CONSUMPTION. DATA FOR MAY AND JUNE HAVE BEEN RECALCULATED ACCORDINGLY AND AS A RESULT APPARENT CONSUMPTION IS HIGHER THAN ESTIMATED BY THE OLD METHOD BUT STILL LOW OVERALL FOR THE TWO MONTH PERIOD. IMPORTS FROM FY 74 P/A'S ARE ALMOST COMPLETE; STOCKS SHOULD PEAK AT A LEVEL ABOUT 325,000 MT DURING JULY AND THEN DECLINE GRADUALLY FOR THE REMAINDER OF THE YEAR. DELTA DELIVERIES, LOW IN JUNE, REMAIN LOW SO FAR IN JULY AS A RESULT OF LOW NFA MILLED RICE PURCHASE PRICES AND A NEW EMPHSIS ON LARGE VOLUME PADDY PURCHASES AT HIGH PRICES. PREVIOUSLY REPORTED CENTRAL

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VIETNAM MARKET PROBLEMS ARE LESS SERIOUS THAN LAST MONTH.

NFA LARGE VOLUME PURCHASES AND SEASONAL FACTORS ARE PUSHING PADDY PRICES UP STEEPLY, BUT MILLED RICE PRICES ARE RISING MUCH MORE SLOWLY. END OF SUMMARY.

2. REF B RECORDED THE LOW MAY APPARENT CONSUMPTION FIGURE OF 44,300 MT AND CONJECTURED THAT IT REFLECTED CONSUMERS RELUCTANCE TO ADD FURTHER TO HOUSEHOLD STOCKS. THE LOW DISAPPEARANCE RATE HOWEVER WAS EVEN MORE PRONOUNCED IN JUNE, INDICATING OTHER FACTORS MIGHT ALSO BE AT WORK. WE HAVE BEEN ABLE TO VERIFY ONE SUCH FACTOR, A MEASURABLE INCREASE IN UNREPORTED DELTA DELIVERIES INDUCED BY A GOVERNMENT REGULATION ALLOWING MOVEMENT OF 500 KG OR LESS WITHOUT PROVINCIAL EXPORT PERMITS AND WITHOUT THE NEED TO SELL AN EQUAL AMOUNT TO NFA AS CITED REFS B AND C. ON THIS BASIS WE ARE SOMEWHAT ARBITRARILY ADJUSTING REPORTED DELTA DELIVERIES FOR BOTH MAY AND JUNE UPWARD BY 6,000 MT AND 7,000 MT RESPECTIVELY. WE HAVE ALSO ADJUSTED NFA DECLARED DOMESTIC STOCK HOLDINGS IN PRIVATELY OWNED CHOLON/SAIGON WAREHOUSES. IT APPEARS PROBABLY THAT SOME PRIVATELY-OWNED RICE IS BEING COUNTED IN NFA-HELD DOMESTIC STOCKS IN PRIVATE WAREHOUSES. THE RESULT IS DOUBLE COUNTING OF DECLARED PRIVATE STOCK HOLDINGS. WE ARE WORKING WITH NFA OFFICIALS ON A COMPLETE REVIEW OF STOCK RECORDS AND THE CURRENT STOCK RECORDING SYSTEM.

3. ADJUSTED MAY-JUNE SAIGON AND CENTRAL VIETNAM STOCKS (1000MT)

	MAY	JUNE
SAIGON IMPORTED	91.2	98.8
SAIGON DOMESTIC	75.0	61.1
SAIGON PRIVATE	4.8	11.7
DEFICIT PROVINCES	78.2	130.7
TOTAL	249.2	302.3

4. ADJUSTED MAY-JUNE APPARENT CONSUMPTION (1000 MT)

	MAY	JUNE
BEGINNING STOCKS	223.7	249.2
DELTA DELIVERIES	60.0	35.0
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IMPORTS	20.9	70.0
TOTAL AVAILABLE	304.6	354.2
MINUS END-MONTH STOCKS	249.2	302.3
MAY/JUNE APPARENT CONSUMPTION	55.4	51.9

5. JUNE IMPORTS WERE 70,040 MT, BRINGING THE TOTAL FOR 1974 TO DATE TO 289,534, LEAVING ONLY SOME 15,000 MT FROM PA-45-768

TO ARRIVE FOR COMPLETION OF THE FY 1974 PROGRAM.

6. NFA BEGAN CY 1974 WITH 52,900 MT (FIGURES ROUNDED) OF WHICH 27,800 MT WERE PL-480 RICE AND 25,100 MT DOMESTIC. CURRENT NFA STOCKS REPORTEDLY INCLUDE 229,500 MT PL-480 RICE AND 61,100 MT DOMESTIC RICE. WITH TOTAL IMPORTS OF 289,500 MT AND REPORTED DOMESTIC MILLED RICE DELIVERIES TO NFA OF 100,000 MT, APPARENT JANUARY TO JUNE DRAWDOWN FROM NFA STOCKS HAS BEEN 87,800 MT PL-480 RICE AND 64,000 MT DOMESTIC RICE FOR A TOTAL OF 151,800 MT AND A MONTHLY AVERAGE OF 25,300 MT. BOTH WE AND NFA EXPECT THE ISSUANCE RATE TO INCREASE SHARPLY IN THE SECOND HALF OF 1974. AS INDICATED PARA 2 ABOVE, WE ARE BEGINNING A MAJOR EFFORT WITH NFA TO REFINE ITS STATISTICAL RECORDS WHICH SEEM TO HAVE BECOME LESS ACCURATE RECENTLY. ON A BROADER BASE USAID HAS RECEIVED A FORMAL REQUEST FROM THE GVN TO FINANCE THE DESIGN AND INSTALLATION OF A MODERN ACCOUNTING SYSTEM TO BE FOLLOWED BY AN AUDIT. THIS WORK IS EXPECTED TO START IN A FEW WEEKS.

7. AS REF B INDICATED JUNE DELTA DELIVERIES DECLINED BY NEARLY 50 PERCENT FROM MAY LEVELS. JULY DELTA DELIVERIES ARE RUNNING AT A PACE EVEN SLOWER THAN JUNE. REF A OUTLINES THE NEW NFA MILLED RICE PURCHASE PRICES AND THEIR UNFAVORABLE COMPARISON WITH CURRENT FREE MARKET WHOLESALE PRICES. IT ALSO OUTLINES NFA'S LARGE VOLUME PADDY PURCHASE PROGRAM BEGUN IN MAY AND OTHER RICE POLICY MEASURES. THE NFA REPORTS THAT UNDER THE LARGE VOLUME PADDY PURCHASE PROGRAM, IT HAS SINCE LATE MAY, CONTRACTED WITH MERCHANTS FOR A TOTAL OF 44,106 MT OF PADDY. EACH CONTRACT IS WRITTEN FOR A MINIMUM OF 4,000 MT OF PADDY, WHICH THE MERCHANT AGREES TO MILL AND DELIVER ON CALL TO NFA. ONLY 50 PERCENT OF THE PADDY CONTRACTED FOR IS REQUIRED TO BE ON HAND AT THE TIME OF SIGNING EVEN THOUGH 100 PERCENT PAYMENT IS MADE.

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EB-11 EUR-25 L-03 IGA-02 AGR-20 COME-00 OMB-01 TRSE-00

CIEP-02 SWF-02 DRC-01 /150 W

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PR 171055Z JUL 74

FM AMEMBASSY SAIGON
TO SECSTATE WASHDC PRIORITY 6903
INFO AMEMBASSY PHNOM PENH
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8. REF B MENTIONED THE INVENTORY AND LIQUIDITY PROBLEMS FACING CENTRAL VIETNAM MERCHANTS. IN THE FIRST WEEK OF JULY NFA AGREED TO BUY SOME OF THEIR STOCKS FOR DELIVERY AND RESALE TO CIVIL SERVANTS AND MILITARYMENT AND FOR DISTRIBUTION TO REFUGEES. THE PURCHASE PRICE IS NOT ENOUGH TO ALLOW ANY PROFITS TO THE MERCHANTS, BUT CUTS THEIR LOSSES. PRIVATE SECTOR DELIVERIES TO CENTRAL VIETNAM WHICH HAD BEEN 11,630 MT IN MAY BASED ON PURCHASES IN SAIGON AND THE DELTA DURING MARCH AND APRIL DROPPED TO 7,857 MT IN JUNE, OF WHICH 4,757 MT WAS PURCHASED FROM NFA. TOTAL DELIVERIES FROM JANUARY 1 TO JUNE 30 WERE 77,854 MT. NFA CURRENTLY EXPECTS TO SELL SUBSTANTIAL AMOUNTS TO CENTRAL VIETNAM MERCHANTS OVER THE NEXT FEW MONTHS.

9. PRICES

A. DELTA PADDY AT THE MILL (WEIGHTED AVERAGE PER 100 KILOS)

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JAN 1 MAR 8 APR 1 MAY 1 JUN 1 JUL 1

HIGH QUALITY	10,016	10,725	10,463	10,819	11,723	12,604
MEDIUM QUALITY	9,198	9,823	9,723	9,982	11,240	12,153

B. SAIGON WHOLESALE RICE PRICES (100 KILOS)

MAY 10 MAY 25 JUNE 3 JUNE 24 JUL 8

NANG HUONG	19,500	19,800	20,200	21,800	22,800
SOC NAU	16,400	16,600	17,300	18,500	18,800
NO. 1, 25 PERCENT	15,800	16,000	16,600	17,700	18,100
MIRACLE RICE	16,000	16,100	16,700	17,400	17,700

C. SAIGON RETAIL RICE PRICES (100 KILOS)

APR 22 MAY 20 JUN 3 JUN 24 JUL 8

NANG HUONG	21,500	22,000	22,800	24,000	24,800
SOC NAU	17,500	18,000	18,500	19,500	20,000
NO. 1, 25 PERCENT	16,900	17,200	17,500	18,500	18,800
U.S. MEDIUM	16,800	17,000	17,500	18,500	18,800
U.S. LONG	18,000	18,000	18,400	19,200	19,800

10. PADDY PRICES HAVE MOVED UP SHARPLY BOTH ON A SEASONAL BASIS AND AS A RESULT ON NFA'S PADDY PURCHASE PROGRAM. SALES VOLUME HAS BEEN MUCH HEAVIER AT THE HIGHER PRICES. THIS TREND IS EXPECTED TO CONTINUE THROUGHOUT JULY. MILLED RICE PRICES HAVE NOT MOVED UP AS FAST, BUT CAN BE EXPECTED TO INCREASE SUBSTANTIALLY OVER THE NEXT FEW MONTHS TO MATCH THE UPWARD MOVEMENT IN PADDY PRICES.

DECON AFTER DECEMBER 31, 1975.

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